



UNEMPLOYMENT INSURANCE DIVISION

maintaining the foundation of economic security

Montana Unemployment Insurance Employer Handbook

The purpose of this Employer's Handbook is to help you comply with the unemployment insurance law, by providing basic information and answering the most commonly asked employer questions.

We rely on your ideas, information and cooperation to help us maintain an efficient and effective program. Please direct your questions, comments or suggestions to us by telephone (406) 444-3834, fax (406) 444-0629 or mail to UI Contributions Bureau, PO Box 6339, and Helena MT 59604-6339.

You can also download forms and instructions from our web site at
<http://uid.dli.mt.gov/tax/uitaxforms.asp>



Montana UI Employer's Handbook Table of Contents

Preface

What is Unemployment Insurance? – page 1

Terms – page 1

Section 1: Registration

Who pays Unemployment Insurance taxes - page 2

How to determine which employers are covered – page 2

UI Employer Registration Form (tear-out form) – page 3

Instructions for Employer Registration form – page 4

Section 2: New Employer Information “At a Glance”

Taxable wage base – page 5

Rates for new employers - page 5

Administrative Fund Tax – page 5

What records do I have to keep? – page 5

Section 3: Reportable Wages and Employment

Wages or Not? – page 6

Montana UI Wage & Employment Tax Chart – pages 6, 7, 8, 9

Independent Contractors – page 10

Section 4: Employer UI Tax Rates

Experience Rated Employer – page 11

Unemployment Insurance Tax Schedule & Rates – page 12

Reimbursable Employer – page 15

Governmental Employer – page 15

Section 5: Payments and Reports

When are Quarterly Reports due? – page 16

Where do I get a Quarterly Report? – page 16

How may I adjust a report? - page 16

UI-5 Quarterly Wage Report – page 17

Section 6: Miscellaneous Questions

Bankruptcy and Unemployment Insurance – page 18

Contractor's certificate of coverage - page 18

Appealing a department's decision - page 18

Section 7: Penalties

Penalty for Remitting Tax Late – page 19

Other Penalties – page 19

Section 8: Electronic Filing and Payment

Internet Reporting & Payment: WARP on the Web – page 20

ACH Debit / WARP on Web Registration (tear out form) – page 21

Electronic Media Reporting – page 22

Electronic Media Reporting Application (tear-out form) – page 23

Section 9: Benefits Eligibility and Charging

Reason for Separation – page 25

Re-Qualifying Wages – page 25

Fact Finding – page 25

What Employers Can Do To Help Insure a Fair Determination – page 25

Job/Union Attached Status – page 25

Job Offers/Refusals – page 26

Notice of Potential Benefit Charges – page 26

Charges are Relieved for Experience Rated Employers – page 26

Charging Determinations Differ from Non-Monetary Determinations – page 26

How Non-Monetary Decisions Affect Charges - page 26

Statement of Benefits Paid – page 27

Claims Investigations – page 27

Reporting Tips – page 27

Claims Investigation Audit – page 27

Information that is Needed if Selected for a Claims Investigation Audit – page 28

Overpayments – page 28

Privacy – page 28

Benefit Accuracy Measurement/Quality Control – page 29

Other Quality Reviews – page 29

Section 10: Important Phone Numbers

Important Phone Numbers – page 30

Montana Job Service Workforce Centers – pages 31, 32

UI Field Representatives – page 33

PREFACE:

This Employer Handbook is designed to answer questions commonly asked by employers and to provide information about your rights and responsibilities.

What is Unemployment Insurance?

Unemployment Insurance (UI) is a federal-state program developed in 1935. Unemployment Insurance is exactly as the name implies - insurance. The Unemployment Insurance program is financed through the Federal Unemployment Tax Act (FUTA) paid by employers.

Unemployment Insurance benefits lighten the burden of unemployment for the unemployed individual, maintain purchasing power in the community, and allow laid off employees to remain in the area so they will be available for re-employment. The program stabilizes the local and state economy by preventing a sharp drop in consumer spending during periods of unemployment. Unemployment Insurance benefits are paid with Unemployment Insurance contributions.

Terms you should know:

Employee - is an individual who performs a service for a person or organization. One test applied to determine if an individual is an employee is: Does the individual or organization for whom the service is performed have the legal right to control the way in which the service is carried out? It is only the right to control that is important; it is not necessary that the control is ever exercised.

Employer - is a person or organization who pays wages to an individual in exchange for the performance of a service. Individuals, corporations, partnerships, estates, trusts, limited liability companies, associations, joint ventures, religious organizations, government agencies, and political subdivisions are among the entities which may be employers. This is not an exclusive list of examples and if your particular organization is not mentioned by name it does not mean it is not considered an employer. If an employer's total gross wages are less than \$1,000 for the current year or the previous year, the employer is not required to pay Unemployment Insurance taxes.

Wage - is a general term that encompasses, but is not limited to, salaries, wages, bonuses, fees, commissions, vacation allowances, retroactive pay increases, and any other payments made by an employer for services provided by his/her employee, unless exempted. The term wages also includes the cash value of any asset that is given to an employee as compensation for his/her service to the employer.

What if I have a question that is not covered in this handbook?

Although comprehensive, this handbook may not answer all your questions and does not cover all situations. If you need assistance, contact the Unemployment Insurance office at (406) 444-3834 or the field representative nearest you. See pages 31-32 for telephone listings of the Montana Job Service Workforce Centers and page 33 for field representative phone numbers.

When you call, please have available your UI account number, federal identification number and other information (canceled checks, report copies, etc.) relating to your call. If calling about a particular claimant, please have their social security number available.

We attempt to answer every call in person and know it is frustrating to call the department and be put through to a voice mailbox. Voice mail has helped us substantially reduce the number of lost calls and improve our service. We'll get back to you as soon as possible if you leave your name, phone number and UI account number.

For accessing Unemployment Insurance information on the Internet, go to <http://uid.dli.mt.gov/> where you can link to UI Laws, UI Rules, Employer Tax, Forms and other topics of interest.

SECTION 1: REGISTRATION

Who pays Unemployment Insurance taxes?

Employers pay state unemployment insurance (UI) taxes. If you are an employer subject to the UI law, you are a “covered” employer and you, the employer, must pay UI taxes. It is against the law to take UI taxes out of your employees’ wages.

Any year you meet the criteria for a covered employer, you must report all wages paid for the entire year (retroactively to January 1) and all wages paid in the next calendar year regardless of the amount of wages in the second year.

You are a “covered” employer if you meet one or more of the following criteria:

- › Your total annual payroll for the current or preceding calendar year equals or exceeds \$1,000. (Total payroll is all wages paid to all employees before deductions.)
- › You acquired all or part of a business already subject to Montana Unemployment Insurance.
- › You are subject under the Federal Unemployment Tax Act (FUTA).
- › You employed agricultural workers and paid \$20,000 or more in cash for agricultural labor in any quarter during the current or preceding calendar year.
- › You employed 10 or more workers in agricultural labor in 20 different weeks during the current or preceding calendar year.
- › You employed domestic (or household) workers and paid \$1,000 or more in cash for domestic services in any quarter during the current or preceding calendar year. Companionship services are not considered domestic employment.

Are governmental entities covered?

All state and local governmental entities must be covered by Unemployment Insurance. Governmental entities may be assigned a governmental experience rate or may elect to become a reimbursable employer.

May I get UI coverage for my workers if I’m not a covered employer?

If you don’t qualify as a covered employer but want UI coverage for your workers, you may apply for **voluntary coverage**. Voluntary coverage cannot be retroactive and if approved, you must cover your employees for at least two calendar years.

Who must register?

An employer who meets the above criteria is subject to Unemployment Insurance and must complete and file an Employer Registration form for an account number. There are several ways to obtain an Employer Registration form: you can use the tear-out registration form on page 3, call Registration at 1-800-550-1513, or download the forms and instructions from our web site at <http://uid.dli.mt.gov/tax/uitaxforms.asp>

A new employer, who acquired an existing business, cannot use the prior owner’s account number. A new UI account number is needed, and you should apply for a new federal identification number also. You may be able to transfer the Unemployment Insurance experience rating record of the acquired business to your business. This transfer includes any benefit charges assessed to the previous account, regardless if you have the previous owner’s personnel records.

An entity change occurs any time you change from one type of ownership to another. The change from a sole proprietor to a corporation or a partnership is a type of entity change. Changing stock ownership in a corporation is not an entity change. Changing members of a limited liability company (LLC) may result in an entity change. Call 1-800-550-1513 to report entity changes and determine if a new account is needed.

Failure to register does not relieve an employer of his/her responsibility to remit UI taxes timely.

Mail completed form to: UI Contributions Bureau PO Box 6339 Helena MT 59604-6339 Or fax to: (406) 444-0629	<h2 style="margin:0;">MONTANA UNEMPLOYMENT INSURANCE EMPLOYER REGISTRATION</h2>	AGENCY USE ONLY	
		Employer Number	Industry Code
		Subject Date	County Code

Fill in all spaces as they apply to your business. Instructions are listed on the back of this sheet.	Questions? Call (406) 444-3834 Toll-free 1-800-550-1513	Remarks
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1. Business or Trade Name:		4. Type of Organization <input type="checkbox"/> a. Individual Ownership <input type="checkbox"/> b. Partnership <input type="checkbox"/> g. Governmental <input type="checkbox"/> c. Limited Liability Partnership <input type="checkbox"/> d. Limited Liability Company <input type="checkbox"/> e. Corporation <input type="checkbox"/> h. Non-profit <input type="checkbox"/> f. Sub-Chapter S <input type="checkbox"/> i. Other _____	
2. Owner or Corporation Name:	Phone Number		
3. Mailing Address:	Fax Number		
City	State		
Montana Business Location (Street Address)		Phone Number	5. Federal Identification Number (FEIN):
City	County	State	Zip Code
6. Date Registered with Secretary of State		7. Is this <input type="checkbox"/> seasonal or <input type="checkbox"/> pension/trust? (Mark a box if it applies to your business)	

8. IDENTIFICATION OF OWNER(S), CORPORATE OFFICERS, PARTNERS, ETC. (IF MORE THAN 3, PLEASE ATTACH A LIST)

Social Security Number	Name (Given Name Must be Shown in Full)	Title	Address (Home)

9. Name of Person Who Prepares Records and Reports	Address	Telephone No.
10. Name of Accountant	Address	Telephone No.

11. DESCRIPTION OF BUSINESS TYPE AND ACTIVITY IN MONTANA: This section **MUST BE COMPLETED** in detail to accurately determine your business activity for proper assignment of contribution rates. **Be specific and CHECK ALL THAT APPLY.** Generalities could result in assignment of a higher contribution rate.

<input type="checkbox"/> Agriculture, Forestry, Fishing	<input type="checkbox"/> Mining	<input type="checkbox"/> Construction	<input type="checkbox"/> Wholesale Trade	<input type="checkbox"/> Retail Trade	<input type="checkbox"/> Services
<input type="checkbox"/> Transportation, Communication & Public Utilities	<input type="checkbox"/> Finance, Insurance, Real Estate	<input type="checkbox"/> Manufacturing			
Primary Activity	Specific Product or Service	% of Gross Income	# MT Employees		

12. Does this establishment have employment at more than one physical location in Montana? (Exclude construction and contract work if less than six months in duration.) Yes No

13. Does any worksite of this establishment primarily perform management or support services for other divisions of the company?
 Yes No

14. Date first wages were paid _____ 15. Will your total payroll for the current _____ Yes No Year and date payroll first equaled or exceeded
 calendar year equal or exceed \$1,000? \$1,000

16. Supply the following information concerning wages paid by the current owner in Montana during the current and/or preceding year(s):

YEARS:	To Date in 2007	2006	2005	2004	2003	2002
Wages You Paid Each Year:						

17. Are you required to pay Federal Unemployment Tax (FUTA)? Yes No

IF YOU HAVE CHANGED YOUR BUSINESS ENTITY (SUCH AS PROPRIETORSHIP TO CORPORATION), OR HAVE ACQUIRED A MONTANA BUSINESS OPERATION, COMPLETE QUESTIONS 18-23

18. Date Changed/Acquired: ____/____/____ 19. How Acquired: Entity Change Lease Other, Specify: _____
 Purchased All Purchased a Portion – What did you purchase? _____

20. Name of Former Owner(s) _____ 21. Name & Address of Former Business: _____
 22. Former UI Account Number _____ 23. Former FEIN _____

Signature (Owner, all Partners or one Corporate Officer)	Title	Date

Signature	Title	Date
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Employer Registration Instructions

Line Number:

#1 through #7 - Complete for your business.

#8 - List all owners, partners, corporate officers, or members and managers of Limited Liability Companies. If necessary, attach an additional sheet. Remember to include addresses and social security numbers.

#11 - Check the industry that best describes your business. List primary activity and its specific products or services, percent of gross income and number of employees. Please be specific. New employer rates are assigned using the industry's average contribution rate. **Generalities can result in assignment of a higher rate.**

#12 - Check "Yes" if you operate this business in Montana in more than one physical location (e.g., plants, stores, offices, warehouses, etc.).

#13 - Check "Yes" if you primarily perform management or support services for other divisions of your parent company.

Support services include administrative offices (headquarters, data processing centers, etc.), storage (warehouses), or research, development or testing.

#18 through #23 - Complete this section **only** if you:

- 1.) Restructured your business entity; i.e. from proprietorship to partnership or corporation, or from a corporation to a partnership or proprietorship; or
- 2.) Acquired or purchased a business or portion of a business from someone else.

If additional space is needed, please include on the back of the registration form.

Signatures: All owners' or all partners' signatures are required. Only one corporate officer signature is required. An additional sheet for signatures may be attached.

SECTION 2: NEW EMPLOYER INFORMATION “AT A GLANCE”

The next two paragraphs in this section apply to new employers who are classified as “experience rated” for Unemployment Insurance purposes. Most employers in Montana are classified as experience rated. If you are a governmental entity or a non-profit organization that qualifies under 501 C (3) of the Internal Revenue Code and elect to reimburse the Unemployment Insurance trust fund for benefits paid, please refer to Reimbursable Employers (page 15).

Taxable wage base - is the amount of wages per employee you are liable to pay tax on each year:

Calendar Year:	2002	2003	2004	2005	2006	2007
Taxable Wage Base:	\$18,900	\$19,700	\$20,300	\$21,000	\$21,600	\$22,700

Experience rated employers pay taxes on each employee’s wages up to and including the taxable wage base. After an employee’s wages reach the taxable wage base, you continue to report the employee’s quarterly wages but you no longer pay taxes on the wages. You may have quarters where some employees have met the wage base for the year and some have not. You should report all wages paid but only pay taxes on the wages of employees who have not yet met the taxable wage base. Employees of governmental and reimbursable accounts do not have a taxable wage base.

Experience rates for new employers - are determined based on your business’ industry type. As a new employer, you will be assigned the average rate assigned to your industry during the previous rate year. Your rate may change during the three year “industry average” period because the average rate for your industry may change each year. If you purchased an existing business, you and the previous owner may agree to transfer the prior owner’s experience rate to your new account.

Administrative Fund Tax - is an assessment paid by all employers subject to Unemployment Insurance and is due and payable with the quarterly wage reports. All experience rated employers pay 0.13% of taxable wages. Governmental and reimbursable employers pay at a rate of 0.05% on total wages.

What records do I have to keep?

For Unemployment Insurance purposes, you must keep a record of:

- › beginning and ending date of each pay period;
- › total wages paid during each pay period;
- › employee expense reimbursements;
- › method of payment;
- › number of employees on the 12th of each month and total number of employees each quarter;
- › each employee’s name, social security number and wages for each pay period;
- › date each employee was hired, re-hired or returned to work after a temporary lay-off;
- › date an employee was terminated; and the cause of the termination, and
- › articles issued by the Secretary of State.

A complete explanation of the records you must keep is in Section 24.11.2704 of the Administrative Rules of Montana.

For a copy of this rule or if you have questions about it, please call the Unemployment Insurance Contributions Bureau at (406) 444-3834 or a local area field representative. Your records must be available for inspection by the department or its authorized representative. A field representative may audit your

records to confirm quarterly reports are filed correctly and you are complying with the law. The field representatives will also answer your questions and help you understand Unemployment Insurance.

SECTION 3: REPORTABLE WAGES AND EMPLOYMENT

What do I have to report as wages on my Unemployment Insurance quarterly wage report?

The term wages is defined in section 39-51-201(23)(a) MCA . “Wages means all remuneration payable for personal services, including the cash value of all remuneration payable in any medium other than cash. The reasonable cash value of remuneration payable in any medium other than cash must be estimated and determined pursuant to rules prescribed by the department.” So, if you pay with livestock, living quarters, material goods or other non-cash payments, you must report the market value as wages.

Are all types of employment and all payments made to my employees reportable as wages?

Not all payments for personal services are taxable for Montana Unemployment Insurance purposes. The chart below lists many types of employment and payments and whether or not they are taxable.

Payroll taxation and the application of the various statutes, Administrative Rules, and Supreme Court decisions can be very complex. This handbook is not meant as a replacement or substitute for them. For more information on any of these items, call a UI Field Representative listed on the last page of this publication.

MONTANA UI WAGE & EMPLOYMENT TAX CHART	
Special Classes of Employment and Special Types of Payments	Unemployment Insurance Tax Treatment
Advances against future earnings.	Taxable
Agricultural Labor.	Taxable if total cash wages exceed \$20,000 in any quarter or if employ 10 or more workers on 20 different days in 20 different weeks in calendar year.
Aliens, nonresident. 1. Working under section 101(a)(15) of the Immigration and Nationality Act, as amended, for the purposes identified in 8 USC 1101(a)(15) (F), (H)(ii)(a), (J), (M), or (Q). 2. Working under any other condition or visa not listed above.	Exempt Taxable
Aliens, resident: Service performed in Montana	Taxable
Annuities: Payments made by the employer into a fund for retirement or death benefits, under a plan offered to all employees or a class or classes of employees.	Exempt
Back Pay paid as a result of a dispute related to employment	Taxable
Bonuses.	Taxable
Cafeteria plan deductions under IRC Section 125.	Taxable
Commissions:	Taxable
Corporate Officer Payments: Corporate officers performing a service for the corporation (includes subchapter S corporations) are employees. (See Profit Distribution).	Taxable
Cosmetologists or barbers: Who are licensed, contracts with a shop, is free from control and direction of the owner, owns or leases equipment, receives payment from the clientele, and acknowledges in writing that their work is not covered by UI.	Exempt
Deceased worker: Wages paid to beneficiary or estate after worker's death.	Taxable
Deferred Compensation. (see Retirement/Pension plans)	Taxable
Dependent care assistance programs under Section 129 of IRC or other assistance provided for dependent care.	Taxable
Director Fees: Customary and reasonable fees paid to directors of a corporation for attending meetings of the board of directors.	Exempt

Special Classes of Employment and Special Types of Payments	Unemployment Insurance Tax Treatment
Dividends.	(see Profit Distribution)
Employee Benefit Plans, Perks furnished/paid by the employer. <ol style="list-style-type: none"> 1. Retirement, sickness or accident disability, medical, hospitalization or death benefits. 2. No additional cost service, where the benefit provided has no monetary impact to the employer, such as lift tickets provided by a ski lodge to its employees. 3. Discounts on merchandise or services, or other benefits. 	Exempt Exempt Taxable - at cash value
Employee Business Expense Reimbursement: <ol style="list-style-type: none"> 1. Actual expenses, if documented and entered separately in business records. 2. Non-receipted travel expenses at the rate allowed for state employees. 	Exempt* Exempt* (*See page 10 for documentation and allowable reimbursement rates.)
Equipment Rental Payments: <ol style="list-style-type: none"> 1. Payment for rental of equipment owned by the employee that is necessary for the employee to perform job. 2. Hand tools commonly used in the employee's trade. 3. Vehicle used only to transport worker to and from job site. 	Exempt (See page 10 for additional information.) Taxable Taxable
Family Employees: <ol style="list-style-type: none"> 1. Dependent member of sole proprietor (or partnership in which each partner is a parent of the child) for whom an income tax exemption may be claimed. 2. Spouse employed by sole proprietor. 3. Parent employed by child. 	Exempt Exempt Taxable – unless the parent is a dependent of the sole proprietor.
Foreign Government or International Organization: Working for foreign government or organization with service performed in Montana.	Taxable
Foreign service by Montana citizens: For foreign affiliates of American employers and other private employers.	Taxable, if working for American employer (unless in a country in which the US has an agreement for UI)
Gifts.	Taxable
Gratuities.	(see Tips)
Holiday Pay.	Taxable
Home workers (industrial, cottage industry): Individuals who perform services at their homes, often paid on a piecework basis.	Taxable
Hospital employees: <ol style="list-style-type: none"> 1. Interns 2. Patients 	Taxable Taxable
Household employees: <ol style="list-style-type: none"> 1. Domestic service in private homes, college clubs, fraternities, and sororities. 2. Companionship services (as defined in 29 CFR 552.6) or respite care (because of age or illness). 	Taxable if total cash wages are \$1,000 or more (for all household employees) in any quarter in the current or preceding calendar year. Exempt – if employed by a family member or legal guardian. You may request voluntary coverage (see page 2).

Special Classes of Employment and Special Types of Payments	Unemployment Insurance Tax Treatment
Income Tax Withholding: Withholding from an employee's wages for federal and/or state income taxes	Taxable
Insurance for employees: <ol style="list-style-type: none"> <li data-bbox="180 281 857 369">1. Accident and health insurance premiums paid by the employer into a qualified plan for the employee or the employee's immediate family. <li data-bbox="180 405 857 464">2. Life insurance premiums paid by the employer for the employee or the employee's immediate family. 	Exempt
Insurance agents/salespeople.	Exempt - if paid solely by commission without guarantee of minimum earnings.
Loans.	Taxable unless the employee is to repay the loan under a written schedule agreed to by the employer and the employee.
Limited Liability Companies (LLC's): <ol style="list-style-type: none"> <li data-bbox="180 655 932 714">1. Payments to members of manager-managed LLC's, even if member files a Schedule C or partnership 1065 return. <li data-bbox="180 741 829 772">2. Payments to members of member-managed LLC's. 	Taxable
Meals.	(see Room and Board)
Mileage: Allowable amount up to the IRS mileage rate for current year provided the employee furnishes the vehicle.	Exempt – see page 10 for allowable reimbursement
Newspaper employees: <ol style="list-style-type: none"> <li data-bbox="180 900 915 959">1. Carriers who delivers newspapers singly or in bundles and have acknowledged the service is not covered by UI. <li data-bbox="180 987 899 1083">2. Freelance correspondents who submit articles or photographs for publication and are paid by the item, and acknowledge the service is not covered by UI. 	Exempt
Non-cash payments: <ol style="list-style-type: none"> <li data-bbox="180 1117 938 1176">1. For household work, agricultural labor, and service not in the course of the employer's trade or business. <li data-bbox="180 1203 813 1234">2. Other non-cash payments for services performed. 	Taxable - if the employer meets subjectivity requirements
Non-profit organizations. (Wages paid by)	Taxable if employer meets subjectivity requirements (see page 2).
Officers or shareholders of a Corporation: Distributions and other payments by a corporation to a corporate officer or shareholder to the extent the amounts are reasonable compensation for services to the corporation by the officer or shareholder.	Taxable
Officials: Services performed by an individual as an official, including timer, referee, umpire, or judge, at an amateur athletic event.	Exempt
Partners or sole proprietor: Distribution of profits to general or limited partners of a partnership or to a sole proprietor.	Exempt
Profit Distribution: <ol style="list-style-type: none"> <li data-bbox="180 1640 841 1671">1. Distribution of profit to sole proprietors and partners. <li data-bbox="180 1698 938 1791">2. Payments distributed to corporate officers or shareholders in lieu of reasonable compensation for services performed, even though designated as profits or dividends. 	Exempt
Railroads: Employment with any railroad engaged in interstate commerce.	Exempt – excludes construction of railroads.

Special Classes of Employment and Special Types of Payments	Unemployment Insurance Tax Treatment
Religious Organizations: <ol style="list-style-type: none"> 1. Services performed by a duly ordained, commissioned, or licensed minister of a church in a ministerial duty or by a member of a religious order in the exercise of duties required by the order. 2. Services performed by non-clergy employees. 	<p>Exempt</p> <p>Taxable</p>
Retirement and Pension plans: <ol style="list-style-type: none"> 1. Employer contributions to a qualified pension or retirement plan. 2. Elective <i>employee</i> contributions, salary reductions or deferrals to a 401(k) or any other type of retirement plan. 	<p>Exempt</p> <p>Taxable</p>
Room and Board, Meals, etc. furnished to an employee as part of the terms of their employment.	Taxable - must report cash value; minimum value of \$130 per week for full room and board; \$3 per meal
Salespersons: <ol style="list-style-type: none"> 1. Statutory non-employees, including direct sellers and real estate and insurance agents paid solely by commission. 2. Other salespersons, regardless of method of payment. 	<p>Exempt</p> <p>Taxable</p>
Severance, termination or dismissal pay.	Taxable
Sick Pay.	Taxable for the first 6 months following the month the employee last worked.
Social Security Taxes: Deductions from an employee's gross wage for FICA.	Taxable
State governments and political subdivisions (employees of): <ol style="list-style-type: none"> 1. Salaries and wages of non-elected employees. 2. Salaries and payments to elected officials. 3. Election judges. Election judges are individuals who are employed to perform services for state or local governments at election booths in connection with national, state, or local elections. 	<p>Taxable</p> <p>Exempt</p> <p>Exempt</p>
Students, scholars: <ol style="list-style-type: none"> 1. Student enrolled and regularly attending classes, performing services for a non-profit or public educational institution. 2. Full-time student performing service for academic credit, combining instruction with work experience as an integral part of the program. 	<p>Exempt</p> <p>Exempt</p>
Tips or gratuities: <ol style="list-style-type: none"> 1. Tips or other gratuities received by the employee and documented to the employer. 2. Allocated tips. 	<p>Taxable</p> <p>Exempt</p>
Vacation: Paid vacation for employee.	Taxable
Vehicles: Personal use of a company vehicle.	Taxable

Employee expense reimbursements, as noted in the tax chart, are not wages if reimbursement is entered separately in the business records and you have documentation that the expense was incurred while conducting business. Reimbursement may not be based on a percentage of the employee's wage nor can it replace the customary wage for the occupation. The reimbursement must be based on actual, receipted expenses or you may base it upon the amount allowed to state employees. The following are the maximum amounts allowed for non-receipted expenses:

Meal Expenses per day:	\$23 (in state); \$36 (out of state) (effective 10/1/2005)
Lodging Expenses per day:	\$12 a night
Mileage Reimbursement:	\$0.485 per mile (effective 1/1/2007),* \$0.445 per mile (2006)

* Subject to federal mileage rate change

Equipment Rental - Payment for rental of equipment owned by the employee are not wages if the equipment is necessary for the employee to perform the job, the employment contract provides for the rental payments, the reimbursement is entered separately in the employer's records and the reimbursement does not replace the customary wage for the occupation. Rental payments for light equipment furnished by the employee may not exceed the reasonable rental value of that equipment. Chain saw rental may not exceed \$22.50 per day. Rental payment for heavy equipment, such as semi-tractors and skidders may not exceed 75% of the employee's gross remuneration. Payments made for hand tools commonly used in the employee's trade, and vehicles used only for carrying the worker to and from the job site are wages.

Do I pay UI taxes on workers I consider independent contractors?

It depends. Some employers exclude workers from their reports contending the workers are "independent contractors" and not employees. Court decisions and division rulings support such services to be employment until "freedom from control or direction over performance" is proven and until it is shown the workers are "engaged in an independently established business of their own". Effective May 1, 2005, UI law defines an independent contractor as "an individual working under an independent contractor exemption certificate provided for in 39-71-417, MCA." If you have paid or contemplate paying someone as an independent contractor, the individual should have an independent contractor exemption certificate or you may have to pay UI taxes on the workers' earnings. Independent contractors with approved exemption certificates can be found at

The laws and court decisions concerning independent contractors are very complex. If you are unsure, please contact the Independent Contractor Central Unit at (406) 444-9586 or your local field representative listed in the back of this book. You may request the department furnish you with a written determination of which workers, if any, are considered self-employed. The department will investigate the employment relationship before issuing a determination.

Officer Salaries

Officers of corporations are considered employees of the corporation. Payments to or on behalf of officers of a corporation or association for services performed, regardless of the form of payment, are reportable wages, including subchapter S and other closely-held corporations. If fair-market wages were not reported for officers, but distributions, payment of behalf of officers or draws are taken, the Montana Unemployment Insurance Division may reclassify such distributions or a portion thereof as wages to arrive at a fair-market wage for the corporate officers. Failure to comply with appropriate accounting practices for such things as business expense reimbursements, dividends, profit distributions, return of capital or loans may also lead to the reclassification of payments as wages.



SECTION 4: EMPLOYER UI TAX RATES

What UI taxes does an employer pay?

It depends. There are four types of covered employers: “new” employers, experience-rated employers, reimbursable employers, and state and local government employers. See the explanations below to determine what taxes each employer type pays.

What is a “new” employer?

A “new” employer is one that has been employing in Montana for less than three complete federal fiscal years (October 1 to September 30). Experience-rated employers have “new” employer rates for three years while they build up experience with the Unemployment Insurance program. New employer rates are the average rates paid during the previous year by employers in the same type of industry as the new employer. New employers’ rates may change during the three-year “new employer” period because their industry average may change. A new employer must submit a completed employer registration form to obtain the proper “new” employer industry rate.

What is an experience-rated employer? What taxes do they pay?

If you are a private, for-profit employer, you must pay all three UI related taxes:

- › **State Unemployment Insurance Contributions (SUTA):** The UI program can only use this tax to pay Unemployment Insurance benefits to qualified individuals. This tax money cannot be used to operate the UI Program. All money collected from this tax is deposited into the UI Trust Fund.
- › **Administrative Fund Tax:** This tax is assessed to help fund Department of Labor and Industry operations, including local Job Service Workforce Centers. For experience-rated employers, this tax is .0013 of taxable wages. This tax is due each quarter and is computed by applying the tax rate to each quarter’s total taxable wages.
- › **Federal Unemployment Tax Act (FUTA) Tax:** This tax is paid directly to the Internal Revenue Service (IRS) to help finance the operations of Montana’s UI claim, tax, and Job Service programs.

How is it decided what an employer’s rate will be each year?

If you are a private, for-profit employer, your tax rate is based on the contribution rate schedule and your reserve ratio. The Contribution Rate Schedule determines the range of contribution rates assigned to all employers each calendar year. The schedule is determined by the ratio of the UI Trust Fund balance to total wages paid in covered employment for the state fiscal year. A higher balance in the UI Trust Fund results in lower Unemployment Insurance rate schedules.



The Schedule of Contribution Rates below reflects the range of rates in each rate schedule. For example, in 2007, Rate Schedule I is in effect, which means that experience rated employers' rates range from 0.00% to 6.37%.

Schedule of Contribution Rates										
	I	II	III	IV	V	VI	VII	VIII	IX	X
Minimum Ratio of Fund to Total Wages:	(.0245)	(.0225)	(.0200)	(.0170)	(.0135)	(.0095)	(.0075)	(.0050)	(...)	(...)
Average Tax Rate:	1.37	1.57	1.77	1.97	2.17	2.37	2.57	2.77	2.97	3.17
Rate Class	Contribution Rates for Eligible Employers									
1	0.0%	0.07%	0.27%	0.47%	0.67%	0.87%	1.07%	1.27%	1.47%	1.67%
2	0.07	0.27	0.47	0.67	0.87	1.07	1.27	1.47	1.67	1.87
3	0.27	0.47	0.67	0.87	1.07	1.27	1.47	1.67	1.87	2.07
4	0.47	0.67	0.87	1.07	1.27	1.47	1.67	1.87	2.07	2.27
5	0.67	0.87	1.07	1.27	1.47	1.67	1.87	2.07	2.27	2.47
6	0.87	1.07	1.27	1.47	1.67	1.87	2.07	2.27	2.47	2.67
7	1.07	1.27	1.47	1.67	1.87	2.07	2.27	2.47	2.67	2.87
8	1.27	1.47	1.67	1.87	2.07	2.27	2.47	2.67	2.87	3.07
9	1.47	1.67	1.87	2.07	2.27	2.47	2.67	2.87	3.07	3.27
10	1.67	1.87	2.07	2.27	2.47	2.67	2.87	3.07	3.27	3.47
Rate Class	Contribution Rates for Deficit Employers									
1	3.17%	3.37%	3.57%	3.77%	3.97%	4.17%	4.37%	4.57%	4.77%	4.97%
2	3.37	3.57	3.77	3.97	4.17	4.37	4.57	4.77	4.97	5.17
3	3.57	3.77	3.97	4.17	4.37	4.57	4.77	4.97	5.17	5.37
4	3.77	3.97	4.17	4.37	4.57	4.77	4.97	5.17	5.37	5.57
5	3.97	4.17	4.37	4.57	4.77	4.97	5.17	5.37	5.57	5.77
6	4.17	4.37	4.57	4.77	4.97	5.17	5.37	5.57	5.77	5.97
7	4.37	4.57	4.77	4.97	5.17	5.37	5.57	5.77	5.97	6.17
8	4.57	4.77	4.97	5.17	5.37	5.57	5.77	5.97	6.17	6.37
9	4.77	4.97	5.17	5.37	5.57	5.77	5.97	6.17	6.37	6.37
10	6.37	6.37	6.37	6.37	6.37	6.37	6.37	6.37	6.37	6.37

Trust fund balance/Total covered wages = Ratio

To calculate your reserve ratio for the current calendar year, the department subtracts the benefits charged to your account from the contributions you paid for the same period (beginning October 1, 1981, through September 30th of the year prior to the effective rate year). The reserve is divided by the average annual taxable payroll for the last three completed federal fiscal years (October 1 - September 30) to arrive at your reserve ratio. The department computes your reserve ratio yearly.

Contributions paid - benefit charges = Reserve

Reserve/average taxable payroll = Reserve ratio

You are assigned a rate class based on your reserve ratio. Your contribution rate is determined by comparing your reserve ratio to all other employers' reserve ratios. The highest positive reserve ratio is assigned the lowest contribution rate.

Is there only one type of experience-rated account?

There are three types of experience-rated accounts: Eligible, Deficit and New.

Eligible: An eligible employer has been subject (covered) for the entire three federal fiscal years ending September 30 immediately preceding the computation date, and has:

- › filed all required quarterly payroll reports;
- › paid all taxes, penalties and interest;
- › established a positive record (paid more in contributions than the UI benefits charged to their account); and,
- › paid wages in at least 1 of the 8 calendar quarters preceding the computation date.

Deficit: Deficit employers are covered employers who have more UI benefits charged to (paid out of) their account than they have paid in contributions.

New: A new employer has not been subject for the three entire federal fiscal years immediately preceding the computation date and has established a positive record. New employer rates are the average contribution rate for employers in the same industry classification.

I bought an established business. Do I wait three years for an experience rating?

No. If you acquire a business you can request the experience rating record of the previous employer be transferred to you. You and the previous employer must apply jointly within 90 days of the date you acquire the business. Contact the Unemployment Insurance Contributions Bureau at (406) 444-3834 to discuss if it would be beneficial to transfer the experience rating record. If the previous and new owners have not filed all the required wage reports or paid all monies due, all the delinquencies must be satisfied before the department may assign a rate based on the previous owner's experience. If the new ownership, control and/or management of the business is substantially the same as the prior ownership, control and/or management, you will assume the prior owner's contribution rate.

How may I take steps to control my contribution rate?

When a current or former employee files a claim for Unemployment Insurance benefits, a Notice of Potential Benefit Charge or a Notice of Filing of Claim for Benefits is mailed to employers who paid wages to the claimant in the base period of the claim. If the employee left work for reasons other than lack of work, return the notice, within 8 days, providing an explanation of the reason the claimant left your employ. Please be specific about the final incident that caused the separation and provide complete information. You will receive a determination if your account will be charged or if the charges will be relieved. If you are a chargeable employer, you will also receive a Statement of Benefits Paid each quarter. If you have any questions about charges to your account, return the "Charging Information Request" form enclosed with your statement or call the Claims Processing Center at (406) 444-2545 or (406) 247-1000.

Also, you can avoid a **penalty rate** (equal to 150% of your assigned experience rate) simply by filing all reports and payments timely.



Is a claimant's entire work history used to calculate benefit charges?

No. Benefits are based on the wages a claimant earned during a certain period of time — the base period. The base period is the first four of the last five completed calendar quarters at the time an initial claim for benefits is filed. If you employed the claimant during the base period, your account may be charged.

The claimant's base period is the shaded area below, if the claim is filed in quarter indicated:

Oct Nov Dec	Jan Feb Mar	Apr May Jun	Jul Aug Sep		Jan Feb Mar		
	Jan Feb Mar	Apr May Jun	Jul Aug Sep	Oct Nov Dec		Apr May Jun	Claims Filed Here
Have This Base Period		Apr May Jun	Jul Aug Sept	Oct Nov Dec	Jan Feb Mar		Jul Aug Sept
			Jul Aug Sept	Oct Nov Dec	Jan Feb Mar	Apr May June	Oct Nov Dec

Months filed claim

Jan, Feb, or Mar
Apr, May, or Jun
Jul, Aug, or Sept
Oct, Nov, or Dec

Base Period

October 1 two prior years – end of September previous year
January 1 previous year – end of December previous year
April 1 previous year – end of March current year
July 1 previous year – end of June current year

For Example: If a claim is filed in January, February, or March of 2007, the base period would be October 2005 through September 2006.

As an experience-rated employer, do I pay taxes on all the wages I pay my employees?

It depends. You must report all wages you pay your employees on your quarterly report. However, each year you pay taxes on wages paid to each employee up to and including the taxable wage base. The taxable wage base is listed in the upper right hand corner of the quarterly report form and may change from year to year. The taxable wage base for 2007 is \$22,700. Any wages you pay an employee over the taxable wage base are considered excess wages. The example below illustrates taxable wages versus excess wages, using the 2006 wage base.

Computing Excess Wages per Employee (based on 2007 UI wage base of \$22,700)

Quarter	Total Wages Paid In Quarter	Total Wages Paid To Date	Taxable Wages	Excess Wages
First	\$ 8,000	\$ 8,000	\$ 8,000	\$ 0
Second	8,000	16,000	8,000	0
Third	8,000	24,000	6,700	1,300
Fourth	8,000	32,000	0	8,000

If the department transfers the experience rating record of the predecessor employer to your account, you may use the wages paid by the previous employer to calculate your excess and taxable wages for the year the experience was transferred.

What is a reimbursable employer? What taxes do they pay?

Some non-profit organizations may choose to reimburse the UI Trust Fund for benefit payments. For a non-profit organization to be a reimbursable employer, it must meet the criteria defined in the Internal Revenue Code (IRC), Section 501(c)(3), provide the UI Contributions Bureau with a copy of the Internal Revenue Service (IRS) exemption letter and apply to the UI Contributions Bureau for approval. For more information on the IRS code, please contact the IRS office at 1-800-829-1040.

As a reimbursable employer, you must pay into the UI Trust Fund an amount equal to the benefits charged to your account. You will be charged for **all** benefits paid to former employees **regardless** of the reason they left your employment. Benefit charges are prorated according to the percentage of wages you paid to the total wages in the claimant's base period.

Example: Your employee, Jane Doe, is offered a better-paying job with your competitor. She quits your employ and accepts the job with your competitor. Your competitor's business suffers a set back and Jane is laid off. She files for unemployment insurance benefits and is found eligible. You paid Jane 64% of the total wages Jane received during her base period. Your reimbursable account is charged for 64% of the benefits paid to Jane even though she quit your business.

Example: An individual had two steady jobs; one of them with a private, for-profit employer and the other a reimbursable employer. The individual was laid off from the private employer and filed for partial benefits. The reimbursable employer would not be charged for benefits if there has been a reduction of 10% or less in hours or wages in the four weeks after the claim is filed as compared with the four weeks prior to the claim effective date.

You must advise the UI Claims Processing Bureau if there has been no change in employment for the charges to be relieved.

Reimbursable employers must submit quarterly wage reports and pay a .05% (.0005) Administrative Fund Tax on **total** wages paid each quarter. The UI Contributions Bureau will notify you monthly of the benefits charged to your account and you may pay these monthly or pay the entire quarterly charges within thirty days following the end of the quarter.

What taxes do governmental employers pay?

Governmental entities may also choose coverage as a reimbursable employer, or choose to make tax payments based on the government experience rating system where the tax rate is applied to **total** wages. Governmental entities also pay a .05% (.0005) Administrative Fund Tax on total wages paid each quarter.

Governmental employers who paid wages to the claimant during the base period are charged for UI benefits paid regardless of the reason the claimant left the employment. Benefit charges are prorated according to the percentage of wages paid by the governmental entity to the claimant's total wages in their base period.

Example: Your employee, Jane Doe, is offered a better-paying job. She quits your employ and accepts the job. Jane's new employer suffers a set back and Jane is laid off. She files for unemployment insurance benefits and is found eligible. You paid Jane 64% of the total wages Jane received during her base period. Your governmental account is charged for 64% of the benefits paid to Jane even though she quit your business.

Example: An individual had two jobs, one of them with a private, for-profit employer and the other with a governmental employer. The individual was then laid off from the private employer. The governmental employer would not be charged for the benefits paid if there has been a reduction of 10% or less in hours or wages in the four weeks after the claim is filed as compared with the four weeks prior to the claim effective date.

SECTION 5: PAYMENTS AND REPORTS

As a covered employer for Unemployment Insurance, you must keep payroll records and file the quarterly report (UI-5). A sample of the UI-5 is shown on page 17. After completing all sections of the UI-5, enter the payment due and enclose a check payable to Unemployment Insurance Division for the tax plus any penalty or interest due.

When are my quarterly reports due?

To avoid penalty and interest charges, your UI-5 quarterly wage report and payment must be postmarked by the following dates:

<u>Quarter:</u>	<u>Report Covering:</u>	<u>Postmarked By:</u>
1st Quarter	January, February, March	April 30
2nd Quarter	April, May, June	July 31
3rd Quarter	July, August, September	October 31
4th Quarter	October, November, December	January 31

Where may I get a quarterly report form?

Your quarterly report will be mailed to you at the end of each quarter. The form contains your name, address, account number and rate. It is important that you do not use someone else's form as the tax, wage and payment information could be posted incorrectly and not properly credited to your account.

If you don't receive your quarterly wage report form by the first week of the month the report is due, call the Unemployment Insurance Contributions Bureau at (406) 444-3834 and a form will be mailed to you. Your area's field representative can also provide reporting forms. Please refer to the back of this handbook for the names and phone numbers of field representatives. Downloadable forms and instructions are also available from our web site at <http://uid.dli.mt.gov/tax/uitaxforms.asp>

How may I adjust a report after I've submitted it?

Submit an amended report and an explanation of the adjustment along with any additional tax remittance to the UI Contributions Bureau, P.O. Box 6339, Helena, MT 59604-6339. Copying the original quarterly report form you submitted with all changes noted is a quick way to amend a report provided you include an explanation and the name and phone number of the person making the change so we can call if we have any questions.



Montana Employer's Unemployment Insurance (UI) Quarterly Wage Report – Form UI-5



Quarter End	Due Date
Employer Identification Numbers	
UI Account Number	
Federal Id (FEIN)	
UI Contribution Rate	%
UI Administrative Fund Tax Rate	%
UI Total Tax Rate	%
UI Annual Taxable Wage Base (Each Employee)	\$22,700

A report must be filed even if no wages are paid. Please refer to instructions for information on completing this form.

Step 1. Check applicable boxes and provide information requested:	<input type="checkbox"/> No Wages paid for the quarter covering this report
	<input type="checkbox"/> Sold Business – Name, address and phone number of new owner:
	<input type="checkbox"/> Ceased Employing – Last payroll date ____/____/____
	<input type="checkbox"/> Change in Name, Address, Phone Number or Identification Number (list corrections here):
	<input type="checkbox"/> Amended Report

Step 2. Unemployment Insurance Employee Wage Listing Check here if wage listing is attached.

STAPLE CHECK HERE	Employee's Social Security Number	Name of Employee		Total Wages Paid this Quarter	Total Excess Wages this Quarter
		Last Name	First Name		
	Total				

Step 3. Calculate Tax	State Unemployment Insurance Tax	Step 4. Number of UI Employees
1. Total wages paid this quarter >		Number of covered workers who worked during, or received pay for the payroll period that includes the 12 th day of the month: 1 st month _____ 2 nd month _____ 3 rd month _____
2. UI excess wages		
3. UI taxable wages (line 1 minus line 2)		
4. UI total tax rate		
5. Total tax (multiply line 3 times line 4)		
6. Credits (overpayment from prior quarters)		
7. Adjustments to prior quarters (attach explanation)		
8. Balance due (line 5 – line 6 +/- line 7 -- see instructions)		
9. Penalty and interest due, if you file late		
10. Payment enclosed (line 8 + 9) >		

Make Check Payable to Unemployment Insurance Division

Step 5. Signature. Sign and make a copy of this form for your records. Mail your report, additional wage listings and payment by the due date above, even if no wages are paid or tax is due. Questions? Call (406) 444-3834.

Mail to: Unemployment Insurance Contributions Bureau PO Box 6339 Helena MT 59604-6339	<i>I certify the information on this report is true and correct.</i>			Date:	
	Authorized Signature	Title	Telephone Number	Name/Title of Contact Person	Telephone No.

SECTION 6: MISCELLANEOUS. QUESTIONS

If I declare bankruptcy, do I still have to pay my Unemployment Insurance taxes?

Yes, if you declare bankruptcy, you are still required to pay Unemployment Insurance taxes. Unemployment Insurance taxes due within three years prior to the filing of the bankruptcy petition are not dischargeable under the United States Bankruptcy Code. You will still be liable for all UI taxes due.

What if I withhold or submit false information?

If you withhold information or give false information to prevent or reduce benefit payments to anyone entitled to benefits, you may be fined up to \$500, imprisoned up to 30 days or both.

You may also be fined, imprisoned or both if you attempt to reduce any tax or payment, fail or refuse to pay your taxes, refuse to furnish required reports, or if you refuse inspection or copying of your records as required by Unemployment Insurance Law.

Additionally, if you do not file a report or if your report is incomplete or inaccurate, the Contributions Bureau may estimate wages paid based on available information. The Contributions Bureau may then collect the taxes, penalties and interest due based on this information.

Do contractors need a certificate of coverage?

If you are a prime contractor, you are responsible for insuring your subcontractors are in full compliance with all Unemployment Insurance laws during the time of the contract. If you contract with a subcontractor who is an employer, you should withhold sufficient money to assure the subcontractor complies with UI provisions. If your subcontractors are not in compliance when the contract is complete, you are responsible for all taxes, penalties and interest due for work performed while under your contract.

As a subcontractor who is an employer, you must furnish the prime contractor a certificate stating your UI account is current. You must present this certificate before receiving final payment on that job. You can get a certificate from the UI Contributions Bureau by calling (406) 444-3834.

Do I have the right to contest a decision made by the UI Division?

Yes, you may contest a UI decision. You generally have 10 days after the determination has been mailed to file an appeal. If you want to appeal a determination made by the department, you need to send a written response explaining why you believe the determination is incorrect. Instructions for appeal are included in the decision.

Can a claimant work part-time and still receive benefits?

Partial unemployment benefits are paid to claimants who continue to work less than forty hours a week and earn less than twice their weekly benefit amount. The benefit amount varies according to their earnings for the week. Partial benefits are intended to give a claimant incentive to accept less than full-time work while they are looking for full-time employment.



SECTION 7: PENALTIES

How will I know if my report or payment will be on time?

If you mail the report or payment on the due date, it is very important that you find out when mail will be postmarked. Late penalties and interest will be assessed if postmarked after the due date.

If you send in your payment with the payroll report, your payment information will normally be posted to our system within 7 business days of mailing. Your account will be credited with the payment as of the day of receipt.

What is the penalty for failure to remit reports and tax by the due date?

You should file as quickly as possible. If you fail to file, your account may be assessed the following penalties and interest:

- › Failure to file the UI quarterly report by the due date = late filing penalty of \$25;
- › Interest on tax not paid when due = 1.5% per month or any portion of the month, 18% per annum;

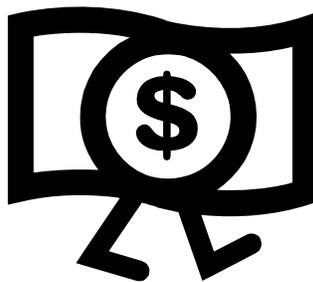
The following example illustrates how penalty and interest is calculated:

\$100 Balance Due Paid 2 Months Late:	
Late File Penalty: (flat rate) =	25.00
Interest: $\$100 \times 1.5\% \times 2 \text{ mos.} =$	<u>3.00</u>
Penalty and Interest Due =	\$28.00

If you have a good reason for being late, you may request a waiver of penalties. The UI Contributions Bureau will then determine whether to grant the waiver or not. As a general rule, not having the necessary forms is not an acceptable reason for a waiver.

Are there other penalties?

The UI Contributions Bureau may issue a subpoena or file a jeopardy assessment on an employer who refuses or fails to file their quarterly report or provide requested information. If the UI Contributions Bureau must take either of these actions,, the employer is assessed a \$50 penalty. If an employer fails to honor the subpoena, an additional \$100 penalty will be assessed.



SECTION 8: ELECTRONIC FILING and PAYMENTS

The department encourages employers to file their quarterly reports in electronic media format rather than paper forms. The department believes this will save time for both you and us in processing your report, and will result in more accurate wage and tax information in our files. Since accurate data is the key to proper tax payments and to timely benefit payment processing, everyone stands to benefit from electronic reporting. We currently offer two methods for filing electronically:

- WARP on the Web, an Internet filing and payment application (described below), or
- ICESA file format that requires mailing of electronic media (described on page 22).

Before you start reporting or paying via any electronic method, you must submit the appropriate application from this booklet.

If you have any questions regarding the electronic methods offered please contact the Electronic Tax Reporting section at (406) 444-3834, P.O. Box 6339 Helena, MT 59604-6339.



Internet Filing and ACH Debit Payment Program: WARP on the Web

The Wage Automated Reporting Program (WARP) On the Web (WOW) program allows you to file your Unemployment Insurance quarterly tax and wage report and/or pay your taxes electronically. The tax and wage report program computes each employee's excess wages and calculates the tax due once you enter the quarterly wages for each employee. Employee wages can also be uploaded from a properly formatted text file. The electronic payment option is an ACH debit program the department creates and sends to your bank based on the amount of tax you are paying.

If you are interested in filing or paying with WOW, go to <http://uid.dli.mt.gov/>, click on the WARP icon (same as picture above) and take a tour of its features.

If you have not used this application before but would like to, you must first register (see the Registration and Authorization form on page 21). For more information on WOW, contact April Rose at arose@mt.gov or call (406) 444-6963.

WOW System Minimum Requirements:

- Internet Explorer Browser
- Windows-based PC recommended
- Modem with a speed of at least 56K band
- Pentium 90Mhz or faster
- Screen resolution setting 800x600 pixels or greater

**ELECTRONIC TAX REPORTING PROGRAM
ACH DEBIT/WOW AUTHORIZATION FORM
UNEMPLOYMENT INSURANCE CONTRIBUTIONS BUREAU**

Transmitter Name: <u>(Accounting firms or 3rd party filers only)</u>		
Transmitter State UI Account #:	Transmitter Federal EIN:	
Employer Name:		
Employer State UI Account #:	Employer Federal EIN:	
<u>Transmitter Contact Information</u>		
Contact Person:	Phone Number:	Fax Number:
E-mail:		

By choosing the ACH debit program you hereby authorize the Unemployment Insurance Tax Program to initiate debit entries to the bank account identified below on your behalf. These debits will pertain only to electronic funds transfer payments you initiate. This authority will remain in full force until you notify us in writing that you wish to terminate the Montana ACH Debit program.

THIS SECTION REQUIRED FOR ACH DEBIT FILERS ONLY	
Bank Name / Branch (or Street Address):	
Bank Routing Number:	Bank Account Number:
Name as Shown on Bank Account:	Authorized Signature:
Optional Information:	
Bank Contact Person:	Bank Contact Phone:

**Complete this form and mail or fax to:
Electronic Tax Reporting Unit
Unemployment Insurance Contributions Bureau
P.O. Box 6339
Helena MT 59604-6339**

**April Rose Phone: (406) 444-6963
Fax: (406) 444-0629**

Electronic Media Reporting for Unemployment Insurance Taxes

The Unemployment Insurance Contributions Bureau will accept quarterly tax and wage reports from employers on 3 1/2" diskettes, compact disks (CDs), or cartridge tapes.

Montana uses the nationally-accepted Interstate Conference of Employment Security Agencies (ICESA) format, specifying record type "S" for state quarterly unemployment wage detail listing.

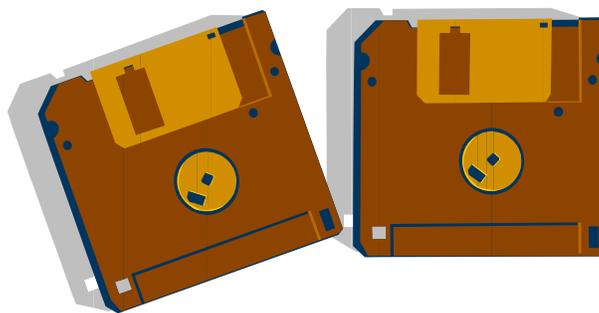
Multi-state employers using this format can create one diskette, CD or cartridge for reporting quarterly wage and tax records and send copies to all states that accept the format. Each state will be able to pull from the diskette, CD or cartridge the required information related to employment in their state.

If you file your UI report electronically (UI wage and tax data), you will receive a UI-5E, Montana UI Employer's Quarterly Payment Transmittal. Submit your quarterly UI payment (if owing) with the Payment Transmittal, UI-5E.

If desired, an employer may submit electronic wage information only. In that case, the tax information must be submitted on the UI-5, Quarterly Wage Report form with the payment attached.

Your payment and diskette/CD/cartridge must be postmarked on or before the last day of the month following the close of the quarter to avoid being classed as delinquent. They can be mailed separately; however, the Department prefers that the payment is enclosed with the diskette(s), CD(s), or cartridge(s).

If you wish to file your UI wages and/or taxes utilizing electronic media, please complete and submit the Electronic Media Reporting Application form on page 23. For more information on filing by diskette, CD or cartridge tape, contact April Rose at arose@mt.gov or call (406) 444-6963.



Unemployment Insurance Contributions Bureau PO Box 6339 Helena MT 59604-6339 Ph: (406) 444-3834 Fax: (406) 444-0629	MONTANA UNEMPLOYMENT INSURANCE ELECTRONIC MEDIA REPORTING APPLICATION	
Employer Business Name or Agent's Name	UI Account No.	
Address: (No., Street)		
City, State and Zip Code		
If reporting for multiple employers, number of employers:	Report information is: Wage information <u>only</u> <input type="checkbox"/> Wage and Tax information <input type="checkbox"/>	
<p style="text-align: center;"> <input type="checkbox"/> Cartridge <input type="checkbox"/> CD <input type="checkbox"/> Diskette </p> <p>For <u>Diskettes/CDs</u>, check on each line:</p> <p style="margin-left: 40px;"> Diskette Size: <input type="checkbox"/> 3 ½" <input type="checkbox"/> Spreadsheet Density: <input type="checkbox"/> High Density <input type="checkbox"/> Low Density </p> <p>For <u>Cartridges</u>, check one on each line:</p> <p style="margin-left: 40px;"> Cartridge Size: <input type="checkbox"/> 3480 <input type="checkbox"/> 3490 Tape Drive Size: <input type="checkbox"/> 3480 <input type="checkbox"/> Non-Compressed Compression: <input type="checkbox"/> Compressed <input type="checkbox"/> ASCII <input type="checkbox"/> EBDIC <input type="checkbox"/> Unlabeled <input type="checkbox"/> Standard Labels </p>		
For PAYROLL Information, contact: (Name)	Title	Phone No.
For TECHNICAL Information, contact: (Name)	Title	Phone No.
<p><i>I am requesting approval to report employee wage and/or employer tax information on diskette, CD, or cartridge. I am enclosing a test copy clearly marked "FOR TEST PURPOSES ONLY".</i></p> <p>Employer Signature: _____</p> <p>Title: _____ Date: _____</p> <p style="text-align: center;">Please allow three months for testing.</p>		
<p style="text-align: center;">FOR AGENCY USE ONLY</p> <p style="text-align: center;"> <input type="checkbox"/> Approved <input type="checkbox"/> Denied </p> <p>Reason: _____</p> <p>Signature: _____ Date: _____</p>		

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SECTION 9: BENEFITS ELIGIBILITY and CHARGING

What separations qualify claimants to receive benefits?

Benefits are allowed if a claimant is:

- Laid off due to lack of work
- Laid off at the end of a temporary job
- Quit for work related reasons
- Discharged for reasons other than misconduct – To be considered misconduct, the individual must have control over the situation and the behavior must have an adverse affect on the business interests.

***Misconduct is an intentional disregard for the interests of the employer.
Inability to perform the job is not considered misconduct.***

What are re-qualifying wages?

If the claimant is disqualified due to a quit for personal reasons, or discharged for misconduct, they can earn re-qualifying wages to end the disqualification. For a quit issue, the claimant has to earn six times their weekly benefit amount after the date of the separation. For a discharge issue, the claimant must earn eight times their weekly benefit amount after the date of the separation. The disqualification is ended, not removed, when the re-qualification wages are earned. If disqualification is ended, your account may be charged for benefits paid after the ending date of the disqualification.

How is fact-finding done?

If a quit or discharge has occurred within 42 days of the filing of the unemployment claim, a decision will be issued regarding the separation, and the employer involved will receive a copy of that decision. Quit and discharge issues are investigated by the Customer Service Representatives. They will contact your business to obtain specific separation information for each claim. We appreciate prompt return of the requested information to allow for timely decisions. A decision will be made on a quit/discharge on the last employer, regardless of the length of time since the separation.

You can return information to:

Unemployment Insurance Division
PO Box 8020
Helena MT 59604-8020
Fax: (406) 444-2699

What can employers do to help insure a fair determination?

Follow good personnel practices, such as:

- Document personnel policies;
- Make sure employees are aware of the policies;
- Make sure you give employees a chance to improve poor performance;
- Provide specific separation information to the Unemployment Insurance Division. For example, don't say "poor performance"; say "he ruined a batch of milk by dumping lye in it."
- Provide copies of any disciplinary actions (related to the reason for separation) and the policies which were violated, and;
- Provide witness statements for collaboration when it is your word against the claimant's.
- Be sure to date any warnings or notes about conduct. Be specific as to the date the behavior occurred.

How does job/union attached status benefit an employer?

Those claimants who are returning to work 30 hours or more with a particular employer on a specified date can be considered job attached if the employer verifies the job attachment. Once "job attached" status is determined, the job search requirement is waived.

Claimants who are active members of a union that operates an exclusive hiring hall are exempt from looking for work each week as the union performs this activity on the claimant's behalf.

What happens if a claimant refuses a job offer?

If a claimant refuses a bona fide job offer (offer is made directly to the claimant by a person authorized to hire) a decision will be made by the department to determine if the refusal will be disqualifying. The department considers such factors as:

- The degree of risk to the claimant's health, safety, and morals;
- Physical fitness;
- Prior training;
- Experience;
- Previous earnings;
- The length of unemployment and prospects for finding work in the claimant's customary occupation, and;
- The distance of the available work from the claimant's residence.

If a claimant refuses suitable work without good cause, the claimant is disqualified to receive benefits. The disqualification can be ended when the claimant has earned six times their weekly benefit amount. The maximum benefit amount is reduced by six times the claimant's weekly benefit amount.

When are notices of Potential Benefit Charge sent?

These notices are sent to all experience rated employers who paid wages to the claimant in the base period (see chart on page 14). All employers in the base period are potentially chargeable based on the percentage of their wages to the total base period wages.

Example: The total base period wages are \$24,000. ABC Company paid \$12,000 of that total. ABC Company is potentially chargeable for 50% of any benefits paid.

When are charges for experience rated employers relieved?

The Notice of Potential Benefit Charge is returned in a timely manner by the employer, and:

- The claimant quit for personal reasons or other reasons not attributable to the employment, or;
- The claimant was discharged for misconduct, or;
- The claimant is still working with no reduction in hours or wages or less than a 10% reduction – We are required to compare the 4 weeks prior to filing of the claim to the four weeks after the claim is filed, or;
- The claimant is attending Department approved training, or,
- The base period employer is ordered to military service, or,
- The benefits are paid in accordance with a national or state extended benefit program.

* Montana Law does not allow us to relieve charges for employers who hire temporary or seasonal employees, if the claimant completed the temporary or seasonal assignment.

How charging determinations differ from non-monetary determinations:

- Only apply to base period employers
- Do not allow or disqualify the claimant to receive benefits
- Only decide the base period employer's chargeability
- Cannot be based upon the claimant's availability or work refusals

Remember: Employer charging determinations are based on the last separation prior to the claim effective date. If a claimant quits for personal reasons, the employer rehires them for a temporary period, and then a claim is filed, the employer will be charged based on the **temporary**, last period of employment.

How do non-monetary decisions affect charges?

- If the claimant is disqualified for a separation from the last or six week employer that occurs prior to the effective date of the claim, charges will be relieved.
- If benefits are allowed, experience rated employers are charged.
- A claimant's benefits can be affected by availability, work refusals, not registering for work, not providing information when requested, etc. If any of these situations occur, a claimant may not be

eligible to receive benefits. The charges to your account may be less, however; you are still chargeable. In order to protect the integrity of the UI trust fund and employers' individual accounts, we depend on employers to provide information regarding any work refusals, availability, etc.

When are Statements of Benefits Paid sent?

Statements are sent out quarterly by the Unemployment Insurance Contributions Bureau and show the charges to your account for the quarter indicated.

Example: Charges for the months of January, February, & March will be mailed in April.

Credit amounts will show with a *minus* sign (–). These amounts have been credited back to your account.

What does the UI Division do to detect benefit overpayments and claimant fraud?

Each quarter we:

- Cross-match the claimants' earnings reports with the wages reported by employers.
- Investigate a percentage of randomly chosen claims filed by in-state claimants and 100% of the interstate claims.
- Perform cross-matches with the university system, workers' compensation, and child support new hire information.
- Investigate every tip we receive.

If you have reason to believe a claimant is receiving benefits they aren't entitled to receive, please contact the Claims Investigation Unit at (406) 444-3783.

What information is required for reporting tips on potential claimant fraud?

- Claimant's name and social security number (if available)
- Name of the business where the claimant is working
- Location of the business
- Business mailing address and phone number (if available)
- Time period in which the claimant was working

What is a Claims Investigation Audit?

The purpose of the audit is to assure that claimants have reported their hours worked and gross earnings correctly during the time they were collecting benefits. This audit also protects the employer and the UI trust fund from claimants collecting benefits they are not entitled to receive.

The Claims Investigation Audit Request is performed each quarter. This audit is a **random selection of claimants** that have drawn benefits during the same time period in which **one or more employers have reported wages**.

The audit forms are computer generated and sent to employers. Employers are asked to complete the hours worked and gross earnings for each calendar week during a time period indicated on the audit form. The information from the completed audit forms is input into our cross-match system. If discrepancies are present, the claimant is notified of the discrepancy. If the claimant is unable to provide evidence that would disprove the employer report, an overpayment of benefits is established and the claimant is required to repay the overpaid amount. When an overpayment is established, the chargeable employer's account is credited accordingly.

If a claimant takes time off work, please list the dates off work and the reason(s). Claimants are not eligible to receive benefits when taking time off work.

Information that is needed for a claims investigation audit:

- An **as-earned** breakdown of hours worked and gross earnings for each calendar week the claimant drew benefits. If calendar week information is not available, please provide an explanation of your

payroll system, i.e., bi-weekly, semi-monthly, etc. List gross earnings and the time period in which they were earned. Example: \$235.00 earned between Jan 1 and Jan 15;

- Dates of employment;
- Hourly rate of pay. If the person was paid in some other form, provide explanation of pay, i.e., commission, salary, etc.; and
- Name and phone number of person completing the form.

How are overpayments collected?

When a claimant receives benefits they are not entitled to receive, the Overpayment Unit collects the reimbursements.

Employer accounts receive credit as soon as an overpayment is established.

Claimants repay by:

- Personal payment – either lump-sum or a payment contract
- Offset of up to 50% of the claimant's weekly benefit amount
- Federal Income Tax refunds
- Collection by Montana Department of Revenue on state warrants such as:
 - Income tax refunds
 - Lottery winnings
 - Garnishments
- Liens
- Court ordered re-payments (pay card fraud)

Claimants who commit fraud:

- Must repay the overpaid amount plus a minimum of 33% penalty amount, up to a 100% penalty
- Could lose up to 52 weeks of future benefits
- Can be prosecuted in District Court
- Are allowed no waivers of the overpayment

What is the Privacy Act?

We are governed by the Federal Privacy Act and are required to protect the privacy of both the employer and claimant. The claimant can be told the wages you have reported under their social security number. However, no specific information regarding your account will be made available to the claimant, another employee, competitor, or curious members of the public.

This is also true of the claimant's information. An employer will be given copies of statements the claimant made concerning a separation from that particular business, as well as a copy of any determination made pertaining to a separation from that employment.

As a chargeable employer, you will receive a Statement of Benefits Paid for each quarter there are charges or credits to your account. However, we are not able to tell you the claimant's weekly benefit amount or the specific weeks in which the claimant drew benefits.

If an accounting firm is handling your UI matters, you will need to contact us to authorize the release of information to them.

How is accuracy and quality measured?

Benefit Accuracy Measurement / Quality Control (BAM/QC) is a management information tool that helps control error and fraud in the state and federal Unemployment Insurance program. The benefits of the audit are better prevention, detection, and collection of improper payments.

Unemployment Insurance claimants are randomly selected for a complete review of their claim. A member of the BAM/QC staff will contact that claimant's employers to verify payroll and separation information.

Based on the investigation, a determination is made as to whether the claim for the week was paid or denied properly or improperly. If a claim is paid or denied improperly, it is then determined whether the claimant, agency, or the employer made the error. Finally, the reason for the improper payment is documented and the claim corrected.

Other Quality Reviews:

The Department is also subject to many federal, state and department reviews that are done quarterly to insure the laws and policies are being applied appropriately.

These agency programs benefit employers because better detection and collection of improper unemployment insurance payments may result in reduced costs and may have a favorable impact on employer taxes. Also, these programs are intended to reduce improper payments in the future by deterring future unemployment claimants from submitting inaccurate information on the claim application.

SECTION 10: IMPORTANT PHONE NUMBERS

Unemployment Insurance Employer Registration 1-800-550-1513

Unemployment Insurance Contributions Bureau (406) 444-3834

FAX (406) 444-0629

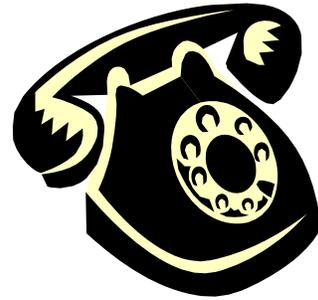
TDD for hearing impairment (406) 444-0532

UI Claims Investigation (406) 444-3783

FAX (406) 444-2699

Claims Processing Center - Billings (406) 247-1000

Claims Processing Center - Helena (406) 444-2545



Other Agency Phone Numbers:

Workers' Compensation - Regulations	(406) 444-6530
Workers' Compensation (toll free)	1-800-332-6102
Department of Revenue	(406) 444-6900
Secretary of State	(406) 444-2034
Internal Revenue Service (toll free)	1-800-829-1040
Social Security Administration (toll free)	1-800-772-1213
State Compensation Insurance Fund	(406) 444-7711
Internal Revenue FUTA Certifications	1-800-550-1513
Contractor Registration	(406) 444-6530, Option 2
Independent Contractor Central Unit	(406) 444-6530, Option 3
Professional Employer Organization Registration	(406) 444-6532
IRS Applications for Federal ID #'s	1-800-829-4933

Job Service Workforce Centers

In the past several years, each of the 23 local Job Service Workforce Centers in Montana has provided enhanced services to business customers that go beyond the traditional labor exchange (matching job seekers to employers' openings) and are more Human Resource (HR) management in nature. In Montana, a large majority of businesses are small operations – lacking HR departments or staff. This provides the Workforce Services Division, through its local Job Service Workforce Centers, with an opportunity to assist Montana businesses.

The types of services provided include such things as:

- Posting job openings and providing referral services according to the customer's needs
- Proficiency testing of job applicants
- Providing access to a business resource center or library
- Performing job analysis
- Developing job descriptions and effective hiring procedures
- Assisting with development of employee handbooks
- Distributing mandatory employment posters at no cost
- Providing information on labor market trends to support local economic development activities
- Providing information on labor and human rights laws

All services are customized to meet the needs of the individual business customer.

As the demand for these services has grown, local Job Service Workforce Center managers have increased

the amount of time their staff devotes to these duties. Every Workforce Center in the state has at least one Business Advocate, and most large centers now have two or more Advocates. It is noteworthy that the provision of these types of services to business customers began in the Flathead Job Service Workforce Center at the urging of the local Job Service Employer Committee (JSEC).

You can learn more about business customer services in a variety of ways. You may access information through the website for Montana's workforce system, JobLINC, at www.mtjoblinc.com. At the state level, contact the Department's Business Services Coordinator at (406) 444-7092. You can also contact your local Job Service Workforce Center from the following list and ask to speak to a Business Advocate.

Montana Job Service Workforce Centers

(All area codes are 406)

City Address	Phone	Fax	Job Hot-Line	Email Address
Anaconda 307 E Park 59711	563-3444	563-7827	563-7826	AnacondaJS@mt.gov
Billings 2121-B Rosebud Dr 59102	652-3080	652-0444	655-0942	BillingsJSC@mt.gov
Bozeman 121 N Willson 59715	582-9200	582-9210	582-9205	BozemanJSC@mt.gov
Butte 2201 White Blvd 59701	494-0300	494-5481	494-0338	ButteJSC@mt.gov
Cut Bank 1210 E Main 59427	873-2191	873-5393	873-4407	CutBankJSC@mt.gov
Dillon 730 N Montana 59725	683-4259	683-2903	683-4737	DillonJSC@mt.gov
Kalispell 427 First Ave E 59901	758-6200	758-6290	758-6297	KalispellJSC@mt.gov
Glasgow 74 4 th St N 59230	228-9369	228-8793	228-9523	GlasgowJSC@mt.gov
Glendive 211 S Kendrick 59330	377-3314	377-5831	377-5823	GlendiveJSC@mt.gov
Great Falls 1018 7 th St S 59405	791-5800	791-5889	453-5556	GreatFallsJSC@mt.gov
Hamilton 333 W Main 59840	363-1822	363-1823	363-2726	HamiltonJSC@mt.gov
Havre 160 First Ave 59501	265-5847	265-1386	265-1587	HavreJSC@mt.gov
Helena 715 Front St 59601	447-3200	447-3224	447-3222	HelenaJSC@mt.gov

Montana Job Service Workforce Centers
(Continued)

City Address	Phone	Fax	Job Hot-Line	Email Address
Lewistown 300 First Ave N 59457	538-8701	538-7249	538-5263	LewistownJSC@mt.gov
Libby 417 Mineral, Suite 4 59923	293-6282	293-5134	293-6282	LibbyJSC@mt.gov
Livingston 220 E Park 59047	222-0520	222-1593	222-0533	LivingstonJSC@mt.gov
Miles City 12 N 10 th St 59301	232-8240	232-6270	232-6350	MilesCityJSC@mt.gov
Missoula 539 S 3 rd St W 59806	728-7060	721-7094		MissoulaJSC@mt.gov
Polson 417-B Main 59860	883-7880	883-4564	883-3311	PolsonJSC@mt.gov
Shelby 1125 Oilfield Ave 59474	434-5161	434-2351	434-5045	ShelbyJSC@mt.gov
Sidney 211 N Central 59270	433-1204	433-7453	433-6665	SidneyJSC@mt.gov
Thompson Falls 2 Tradewinds Way 59873	827-3472	827-3327	827-4562	ThompsonFallsJSC@mt.gov
Wolf Point 201 Main St 59201	653-1720	653-1196	653-1194	WolfPointJSC@mt.gov

UI Contributions Bureau Field Representatives

Located across Montana, the following individuals provide reporting forms and employer tax assistance. Please call or write them with your questions.

<u>Field Office</u>	<u>Field Representative</u>	<u>Phone Number</u>
Billings 624 N. 24th Street Billings, MT 59101-1029	Diane Bianchi	(406) 247-1032
	Mary Bernhardt	(406) 247-1007
	Lisa Barton	(406) 247-1009
	Danelle Fogarty	(406) 247-1056 FAX (406) 247-1014
Bozeman 220 W. Lamme Suite 1C Bozeman, MT 59715	Richard Gobbs	(406) 585-2779* FAX (406) 582-5841
	Amy Everaert	(406) 771-6523 FAX (406) 727-2237
Great Falls 300 Central Ave., Suite 330 Great Falls, MT 59401	Amy Everaert	(406) 771-6523 FAX (406) 727-2237
	Deb Powell	(406) 758-5900 FAX (406) 758-5899
Missoula 2681 Palmer Road, Suite 1 Missoula, MT 59808	Scott Moothart	(406) 329-1420
	Kathy Gillies	(406) 329-1415
	Lisa Hamer	(406) 329-1438
		FAX (406) 329-1449
Helena 1327 Lockey Ave., 4 th Floor Helena, MT 59601	Rick Eldredge	(406) 444-1903 FAX (406) 444-0629

